

DEPENDENT COVERAGE UNDER FEDERAL HEALTH REFORM – MORE THAN WHAT MEETS THE EYE

By Jeanine Freeman, JD

Of the estimated 46 million uninsured persons in the U.S., nearly 14 million of them are young adults age 19-29, the highest percentage of all uninsured by age category. In 2008, the Iowa General Assembly took a big step for young adult Iowans by requiring health insurers to extend coverage to them under a parent's plan so long as the young adult was under the age of 25, unmarried, and a resident of Iowa or was enrolled full-time in an accredited institution of post-secondary education. Federal health reform goes even further.

The Patient Protection and Affordable Care Act (PPACA) of 2010, as amended by the Health Care and Education Reconciliation Act, requires group health plans that provide coverage for children of parents to extend that coverage to young adult children under the age of 26 without regard to the young adult's (or any other child covered under the parent's plan) marital status, residency, financial dependency on the parent, or enrollment in post-secondary education. PPACA's provisions go into effect with plan years beginning on or after September 23, 2010.

Many health plans and self-insured entities already have amended their coverage policies, or are in the process of doing so, to prevent disenrollment of young adults now graduating from college or aging out of the parent's policy. An insurer that has not done so is required by PPACA to give notice of a special 30-day open enrollment period during which eligible young adults can enroll.

Newly enrolled young adults must be offered the same benefits as children already covered under the parent's plan and cannot be required to pay more for coverage. Terms of coverage cannot vary by age up through 26. The parent's plan is

not required to extend coverage to the spouse or minor children of the young adult.

Until 2014, the parent's group plan (if in existence on March 23, 2010) can deny the young adult coverage if coverage is available through the young adult's employer unless that employer also is the parent's employer. Effective in 2014, young adults can be added to their parent's group plan even if other coverage is available to them. If the parents of a young adult have coverage under separate plans, the young adult cannot be denied coverage by either plan.

Regulations, fact sheets, and FAQs providing guidance on PPACA's dependent coverage provisions are available at www.hhs.gov/ociio/regulations/index.html. The regulations include a "Transition Rule" which allows a parent not now enrolled in the employer's plan to enroll in order to access coverage for the young adult. Too, the young adult can access any benefit package offered by the employer, even if that means the parent needs to switch. When no longer eligible for coverage under the parent's plan, COBRA must be offered to the young adult.

Effective March 30, 2010, the value of any employer-provided health coverage for an employee's dependents is excluded from the employee's income through the end of the taxable year in which the young adult turns 26 so long as the young adult remains on the parent's plan. IRS Notice 2010-38 (www.irs.gov/pub/irs-drop/n-10-38.pdf) allows employees to immediately begin making pretax contributions to pay additional premium amounts for newly-covered young adults. Retroactive amendments to the cafeteria plan to allow such deductions must be made by the employer before January 1, 2011.



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